

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**

## **C O N T E N T S**

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>3</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>STATEMENT OF NET ASSETS</b>	<b>9</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>10</b>
<b>BALANCE SHEET</b>	<b>11</b>
<b>STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN     FUND BALANCE</b>	<b>12</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>13</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>19</b>
<b>BUDGETARY COMPARISON SCHEDULE</b>	<b>20</b>
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	<b>22</b>
<b>AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE</b>	<b>24</b>

# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members  
Wayne County Special Service District #1  
Loa, Utah 84747

We have audited the accompanying financial statements of the governmental activities of Wayne County Special Service District #1, a component unit of Wayne County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wayne County Special Service District #1's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the government activities of Wayne County Special Service District #1 as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2007, on our consideration of Wayne County Special Service District #1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 19 through 20, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

May 24, 2007  
Richfield, Utah

## **Wayne County Special Service District #1 Management's Discussion and Analysis**

The discussion and analysis of Wayne County Sanitation Special Service District "District" financial performance provides an overview of the District's financial activities for the year ending December 31, 2006. This report is in conjunction with the County's financial statements, which are part of this report.

The purpose of the Wayne County Special Service District is to construct, repair, maintain roads and acquire and operate facilities for flood control, hospital, recreation, and any other lawful public facilities within the District's boundaries. The general boundaries of the District are all of Wayne County except the area in the incorporated towns.

### **Financial Highlights:**

- The assets of District exceeded its liabilities as of the close of the most recent year by \$785,695 (*Net Assets*). This amount may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$201,484. The revenues were more than final budgeted amounts, and expenditures were more than the adopted budgeted amounts.
- The District has no full-time employees.
- The District's revenues have increased steadily due to several factors. One factor is the allocation of State PILT funds to the district. Each year in budget session the County Commissioners allocate a percentage of this revenue to the district. Also, the District receives State Mineral Lease funds, which change from year to year.

See the following graph which clearly demonstrates the changes in revenues.

- Expenditures in prior years have been for buildings, equipment and infrastructure which are owned by other governmental entities, such as the Loa Fire Department.

### **Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Wayne County Special Service District #1 as a whole and present a longer-term view of the District's finances.

### **Reporting the District as a Whole**

The District realizes revenues from State PILT and mineral lease funds.

**Wayne County Special Service District #1  
Management's Discussion and Analysis (Continued)**

**Government-wide financial analysis**

The District's assets consist of cash only.

**Budgetary Highlights**

There were no changes in the beginning and final budget for the District.

**Long-term debt**

At the end of the current year, the District had no outstanding debt.

**Contacting the District**

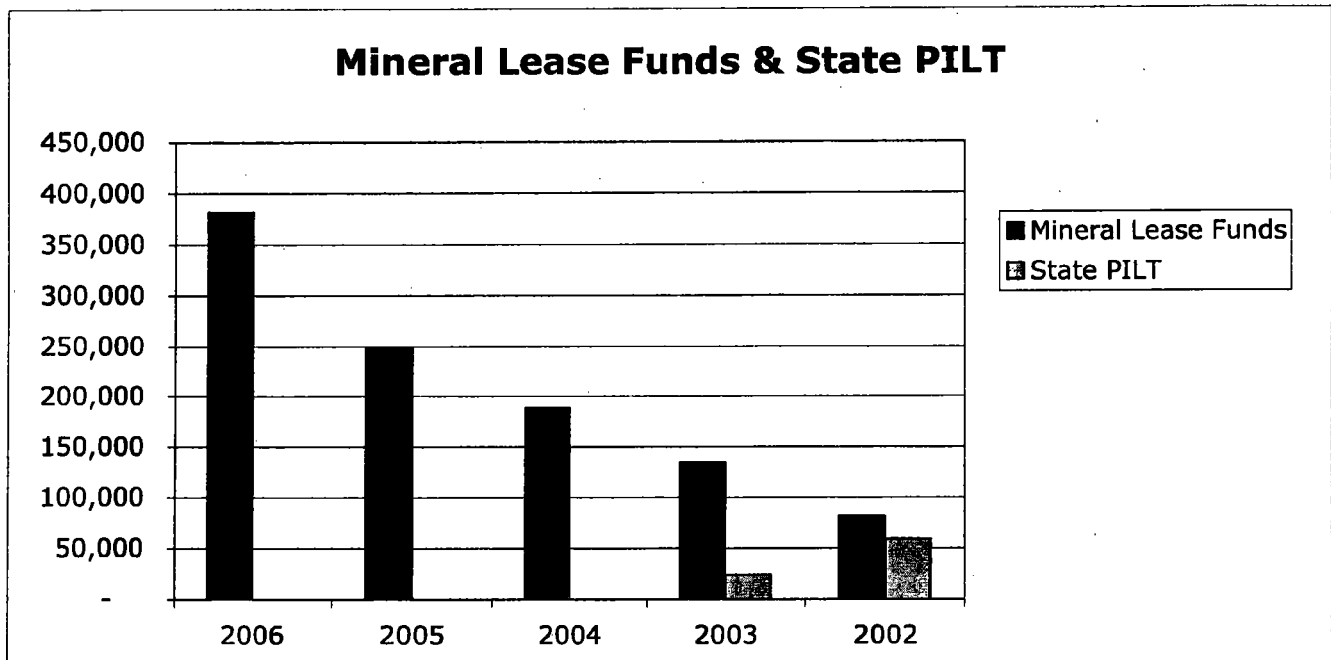
This financial report is designed to provide the citizens with a general overview of the prior year unreserved fund balance and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact County Clerk/Auditor, 18 South Main, Loa, UT 84747.

**Condensed Financial Statements:**

	<u>2006</u>	<u>2005</u>		<u>2006</u>	<u>2005</u>
Assets:			Revenues:		
Current	<u>785,695</u>	<u>584,211</u>	General Revenue	<u>381,607</u>	<u>249,106</u>
Total Assets	<u><u>785,695</u></u>	<u><u>584,211</u></u>	Total Revenues	<u><u>381,607</u></u>	<u><u>249,106</u></u>
Liabilities:			Expenditures:		
Current	-	-	Current	<u>180,123</u>	<u>242,622</u>
Long-Term	<u>-</u>	<u>-</u>	Capital	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	Total Expenditures	<u><u>180,123</u></u>	<u><u>242,622</u></u>
Net Assets:					
Restricted	-	-	Change in Net Assets	<u>201,484</u>	<u>6,484</u>
Unrestricted	<u>785,695</u>	<u>584,211</u>	Beginning Net Assets	<u>584,211</u>	<u>577,727</u>
Net Assets	<u><u>785,695</u></u>	<u><u>584,211</u></u>	Ending Net Assets	<u><u>785,695</u></u>	<u><u>584,211</u></u>

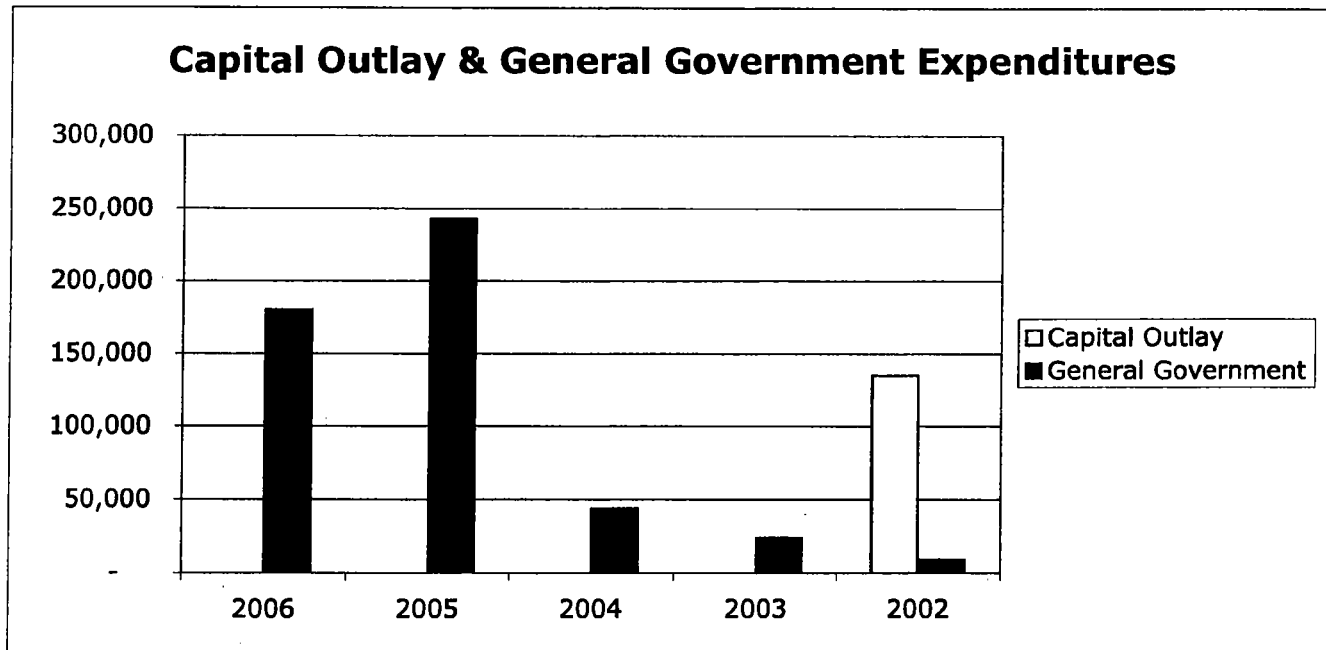
**Wayne County Special Service District #1  
Revenue - Five Year Comparison**

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Mineral Lease Funds	381,607	249,106	189,037	134,099	82,009
State PILT	-	-	-	24,000	59,055
<b>Total</b>	<b>381,607</b>	<b>249,106</b>	<b>189,037</b>	<b>158,099</b>	<b>141,064</b>



**Wayne County Special Service District #1  
Expenditures - Five Year Comparison**

	2006	2005	2004	2003	2002
Capital Outlay	-	-	-	-	134,628
General Government	180,123	242,622	43,875	23,778	9,352
Total	180,123	242,622	43,875	23,778	143,980



---

# **BASIC FINANCIAL STATEMENTS**

---

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1  
STATEMENT OF NET ASSETS**

**December 31, 2006**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Investments	<u>785,695</u>
<b>TOTAL ASSETS</b>	<u>785,695</u>
<b>LIABILITIES</b>	
Liabilities	<u>-</u>
<b>NET ASSETS</b>	
Unrestricted	<u>785,695</u>
<b>TOTAL NET ASSETS</b>	<u><u>785,695</u></u>

The notes to the financial statements are an integral part of this statement.

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1  
STATEMENT OF ACTIVITIES**

**For The Year Ended December 31, 2006**

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
<b>Functions/Programs:</b>			
<b>Governmental Activities:</b>			
General Government	<u>180,123</u>	<u>-</u>	<u>(180,123)</u>
<b>TOTAL REVENUES</b>	<u><u>180,123</u></u>	<u><u>-</u></u>	<u><u>(180,123)</u></u>
<b>General Revenues:</b>			
State Sources			<u>381,607</u>
<b>Total General Revenues</b>			<u>381,607</u>
Changes in Net Assets			201,484
Net Assets - Beginning			<u>584,211</u>
Net Assets - Ending			<u><u>785,695</u></u>

The notes to the financial statements are an integral part of this statement.

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1  
BALANCE SHEET  
GOVERNMENTAL FUND TYPE**

**December 31, 2006**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Investments	<u>785,695</u>
<b>TOTAL ASSETS</b>	<u><u>785,695</u></u>
<b>LIABILITIES AND FUND EQUITY</b>	
Liabilities	<u>-</u>
<b>Total Liabilities</b>	<u>-</u>
Fund Equity:	
Unreserved	<u>785,695</u>
<b>Total Fund Equity</b>	<u>785,695</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>785,695</u></u>

The notes to the financial statements are an integral part of this statement.

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND TYPE**

**For The Year Ended December 31, 2006**

	<u>General Fund</u>
<b>Revenues:</b>	
State of Utah - Mineral Lease Grant	<u>381,607</u>
Total Revenues	<u>381,607</u>
<b>Expenditures:</b>	
Operating Expenses	<u>180,123</u>
Total Expenditures	<u>180,123</u>
Excess Of Revenues Over (Under) Expenditures	201,484
Fund Balance - Beginning Of Year	<u>584,211</u>
Fund Balance - End Of Year	<u><u>785,695</u></u>

The notes to the financial statements are an integral part of this statement.

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Wayne County Special Service District #1, a component unit of Wayne County, was created by the adoption of a resolution to establish a special service district by the Wayne County Commissioners on January 4, 1989. The District was authorized to construct, repair and maintain roads and acquire and operate facilities for flood control, hospital, recreation, and any other lawful public facilities. The general boundaries of the District are all of Wayne County except the area in the incorporated towns. The Special Service District's Administrative Control Board consists of three (3) members, each of whom was appointed by the Board of Commissioners. The Board of Commissioners shall appoint the initial one member to serve two year term and the remaining two members to serve four year terms. The Board members, at their initial meeting, elected a chairperson and a secretary to serve such terms as the board shall determine.

**B. Government-Wide and Fund Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State revenue sources and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if material. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government. The District's only fund is the General Fund

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Receivables and Payables:**

All trade receivables are deemed 100% collectible and , therefore, no allowance for uncollectibles is shown when receivables are recorded.

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**E. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - BUDGET PROCESS**

Wayne County Special Service District #1 has properly adopted required budgets for 2006. Changes to the adopted budget were properly made by resolution and public hearing of the District. The District follows the budgetary practices and procedures required by State law.

These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearing is published at least ten days prior to the meetings.
6. Public hearing are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

**Deposits:**

At year-end, the carrying amount of the Special Service Districts deposits was \$0. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of December 31, 2006, consist of the following:

	<u>Fair Value</u>
Investments - PTIF	<u>785,695</u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	<u>785,695</u>
--	----------------

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

**Custodial Credit Risk:**

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The local government's bank balances were \$0 at year-end.

**Credit Risk:**

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2006, the local government has investments of \$785,695 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Concentration of Credit Risk:**

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

---

**REQUIRED SUPPLEMENTARY  
INFORMATION  
"UNAUDITED"**

---

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**For The Year Ended December 31, 2006**

**Budgetary Comparison Schedules:**

The Budgetary Comparison Schedules presented in this section of the report are for the District's General Fund.

**Budgeting and Budgetary Control:**

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the District's Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1  
BUDGETARY COMPARISON SCHEDULE  
GOVERNMENTAL FUND**

**For The Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
Intergovernmental:				
State Mineral Lease	<u>150,000</u>	<u>150,000</u>	<u>381,607</u>	<u>231,607</u>
Total Revenues	<u>150,000</u>	<u>150,000</u>	<u>381,607</u>	<u>231,607</u>
<b>Expenditures:</b>				
Current:				
General Government	<u>150,000</u>	<u>150,000</u>	<u>180,123</u>	<u>(30,123)</u>
Total Expenditures	<u>150,000</u>	<u>150,000</u>	<u>180,123</u>	<u>(30,123)</u>
Excess Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>201,484</u>	<u>201,484</u>
Fund Balance - Beginning			<u>584,211</u>	
Fund Balance - Ending			<u>785,695</u>	

---

## **COMPLIANCE SECTION**

---

# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board Members  
Wayne County Special Service District #1  
Loa, Utah 84747

We have audited the financial statements of the governmental activities of Wayne County Special Service District #1, a component unit of Wayne County, as and for the year ended December 31, 2006, which collectively comprise Wayne County Special Service District #1's basic financial statements and have issued our report thereon dated May 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Wayne County Special Service District #1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wayne County Special Service District #1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wayne County Special Service District #1's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects Wayne County Special Service District #1's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Wayne County Special Service District #1's financial statements that is more than inconsequential will not be prevented or detected by Wayne County Special Service District #1's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Wayne County Special Service District #1's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

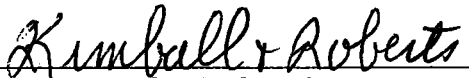
The Honorable Board Members  
Wayne County Special Service District #1  
Page -2-

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne County Special Service District #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Wayne County Special Service District #1 in a separate letter dated May 24, 2007.

This report is intended solely for the information and use of management and board members and is not intended to be and should not be used by anyone other than these specified parties.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

May 24, 2007  
Richfield, Utah

# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board Members  
Wayne County Special Service District #1  
Loa, Utah 84747

We have audited the accompanying financial statements of the governmental activities of Wayne County Special Service District #1, a component unit of Wayne County, for the year ended December 31, 2006, and have issued our report thereon dated May 24, 2007. As part of our audit, we have audited Wayne County Special Service District #1's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The County received the following major State assistance program from the State of Utah:

Mineral Lease (Department of Transportation)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Other Compliance Requirements


The management of Wayne County Special Service District #1 is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

The Honorable Board Members  
Wayne County Special Service District #1  
Page -2-

In our opinion, Wayne County Special Service District #1, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended December 31, 2006.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

May 24, 2007  
Richfield, Utah

**WAYNE COUNTY SPECIAL SERVICE DISTRICT #1**

**MANAGEMENT LETTER**

**DECEMBER 31, 2006**

# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

May 24, 2007

The Honorable Board Members  
Wayne County Special Service District #1  
Loa, Utah 84747

During our audit of the funds of Wayne County Special Service District #1 for the year ended December 31, 2006, we noted a few areas needing corrective action in order for the District to be in compliance with state laws and regulations. These items are discussed below for your consideration.

## **COMPLIANCE:**

### **Fund Balance**

The allowed fund balance for special service districts with general fund revenues greater than \$100,000 is 25% of revenues.

### **Finding:**

During our examination we noted the fund balance is in excess of the 25% of revenues allowed by State law. Total revenues for 2006 were \$381,607 and 25% of this would be \$95,402. The present fund balance is \$785,695.

### **Recommendation:**

We recommend that the District reduce the fund balance to comply with State law regarding fund balance accumulations. This may be accomplished by budgeting the excess fund balance to be expended in the following year for allowable purposes.

### **Management Response:**

We have reviewed the above finding with management and management agrees with the recommendation.

### **Expenditures**

### **Finding:**

During our tests of expenditures we noted that the District purchased firearms for the Sheriff's department. According to State Code 17A-2-1304 this would not be one of the allowable costs for a special service district.

**Recommendation:**

We recommend that the Sheriff's department reimburse the District for this expenditure.

**Management Response:**

We have reviewed the above finding with management and management agrees with the recommendation.

**Budget Compliance**

**Finding:**

We noted during the audit that expenditures exceeded the adopted budget.

**Recommendation:**

We recommend that the District review actual expenditures compared to the budget. If the expenditures are going to exceed the budget, a public hearing must be held and the budget increased for additional revenues and expenditures.

**Management Response:**

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Wayne County Special Service District #1's personnel for the cooperation and assistance given during the course of our examination.

Respectfully submitted,

  
KIMBALL & ROBERTS  
Certified Public Accountants

DKK/vl